



# MEMORANDUM

To: Members of the Investment Committee  
California Public Employees' Retirement System

From: Pension Consulting Alliance (PCA) *mgh*

Date: March 14, 2011

Subject: AIM Performance through December 31, 2010

AIM outperformed the Policy Index by 0.1% and the Long-Term Policy by 0.6% over the latest ten-year period as of December 31, 2010. Over the latest one-year period, AIM outperformed the Policy Index by 7.2% while underperforming over the three-year and five-year periods, by 7.5% and 2.9%, respectively.

## AIM Performance: periods ending December 31, 2010

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
AIM Program*	21.5%	1.7%	9.8%	5.7%
Policy Index**	14.3%	9.2%	12.7%	5.6%
Wilshire 2500 ex-tobacco + 300 bp	14.3%	-3.7%	4.1%	3.0%
Long-Term Policy***	---	---	---	5.1%

\* The NAV of CalPERS' AIM segment is lagged one quarter with adjustments for current cash flows through the reporting period

\*\* The Wilshire 2500 ex-tob +3% (from and since July 2009); previous periods for the AIM Policy Index are linked historically to the Custom Young Fund, AIM's prior benchmark

\*\*\*10-year Wilshire 2500 +3%

Source: Wilshire Associates


AIM's 7.2% one-year outperformance relative to the Policy Index reflects strong results across multiple sectors during the period, primarily driven by the Buyout and Special Situation sectors. The inclusion of the Custom Young Fund Index in the Policy Index (composed of private equity holdings) until July 2009 contributed to the Program's underperformance over the longer three-year and five-year periods. The Custom Young Fund Index was composed of private equity holdings that were not written-down as rapidly as the public markets declined early in the reporting period. Combined with the stronger public market results post July 2009, the Policy Index has outperformed over these periods. The AIM Program has outperformed the Wilshire 2500 ex-tobacco + 300 bps over all periods evaluated.



## General conditions

Private Market Conditions. Private market dynamics continue to be impacted by a changing marketplace for the following reasons:

- Fund raising activities are expected to increase in 2011, with middle-market buyouts appearing to be high on the list for potential investment. The market may become bifurcated between the “have” and the “have-nots,” meaning those opportunities identified as the best candidates will be quickly over-subscribed while others will still face a challenging environment.
- Risk is increasing in the leverage buyout market as purchase price and debt multiples have increased and less equity is required to complete transactions. In addition, dividend-recap’s and “covenant-lite” loans have returned to the marketplace. The increase in purchase price multiples impacts sellers and buyers (AIM is both) in opposing ways.
- An increased use of the initial public offering (IPO) market for some of the larger buyout transactions completed over the last cycle is expected in 2011. However, rather than using the IPO market as an immediate exit, proceeds may be used to pay down debt with limited cash distributions to investors. Two IPOs year-to-date include portfolio companies, Kinder Morgan and Nielsen, which have been well received in the marketplace. Despite expectations for other large buyouts utilizing the IPO market, the Kinder Morgan IPO is resulting in material distributions to its investors but the impact on the AIM portfolio is not expected to be significant. Freescale Semiconductor, after being taken private in 2006 and experiencing material challenges during the economic crisis, filed papers on February 11<sup>th</sup> for an initial public offering of stock.
- The outlook for distressed debt investment strategies is mixed. The rebound in debt pricing has minimized the opportunity for trading strategies, while opportunities in debt-for-control strategies remain unclear. There appears to be an attractive pending opportunity set with the magnitude of debt that was “amended and extended” during the crisis. However, with an improved economic environment and the return of more lenient lending, the opportunity set for debt-for-control transactions may be less than expected (particularly at the larger end).
- The uncertainties involved in the IPO market combined with the general underperformance of the venture capital sector is reportedly resulting in reduced support from institutional investors. Contrarians might define this as an opportunity as there are some favorable longer-term dynamics developing in the venture capital space. The challenge, now more than ever, is identifying the managers with competence and a competitive advantage financing companies with disruptive technologies.



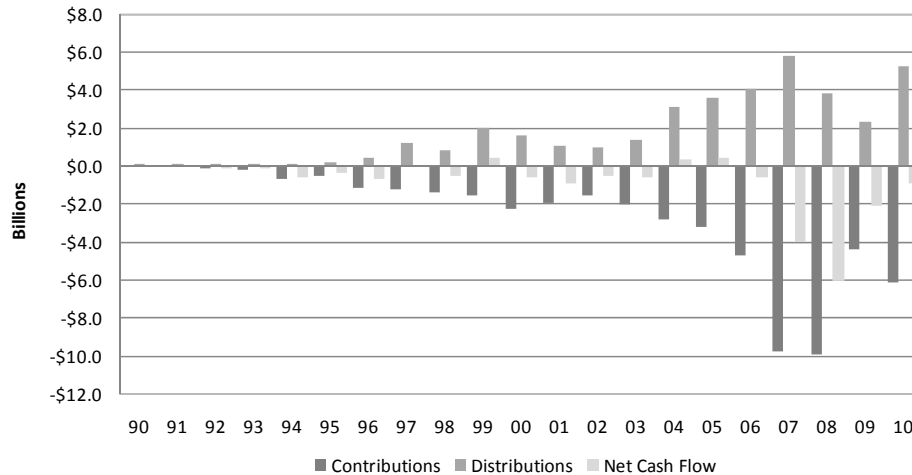
Industry Terms and Conditions. The fund raising environment remained challenging in 2010 as reflected in the average time taken for funds to achieve a final close. According to Preqin, funds took 20.4 months, on average, to achieve a final close in 2010 up from prior lows of 10.6 months in 2005, 11.1 months in 2006, and 11.4 months in 2007. The continued challenges in manager fund raising have been expected to increase negotiating power for limited partners (LPs). As mentioned in prior reports, the Institutional Limited Partners Association (ILPA) has published the ILPA Private Equity Principles, a best practice document that was expected to help guide private equity terms and conditions and move the industry a step closer to establishing a set of guidelines that could improve the alignment of interests, enhance fund governance, and provide greater transparency to investors. CalPERS and more than 135 other institutional investors have endorsed these Principles. In response to feedback from general and limited partners, ILPA released an updated version in January 2011 that is intended to provide increased focus, clarity and practicality. In addition, ILPA released the first of five recommended Standardized Reporting Templates (Capital Call and Distribution Notice Templates) in an effort to improve uniformity and transparency. In a survey presented by Preqin in 2010, it was noted that “some areas of the Principles are being followed, other areas are not enjoying such widespread support, with the continued prevalence of deal-by-deal carry funds in the US perhaps the most notable area where GPs continue to resist change.” According to the Private Equity Analyst, there has been movement towards more limited partner friendly transaction-fee offsets. In addition, there has been downward pressure on management fees, particularly for larger firms.

### **AIM Program management**

The search for a replacement for the departed Senior Investment Officer in charge of AIM continues. In the interim, AIM program staff report directly to the Chief Investment Officer. In addition, two senior portfolio managers also announced their resignations in February 2011. This results in three vacancies as of the end of March in AIM's personnel budget of 18 investment professionals. As the Investment Committee's consultant, PCA is providing guidance and additional assistance to staff during this transitional period.

The Program's aggregate cash flows have been impacted by the broad market dynamics. Contribution and distribution activity was at its highest in 2007 and 2008, attributable to significant investment activity, influenced by readily available debt, and material liquidity events. However, during this time period the net cash flow of the Program was negative (contributions exceeded distributions). As a result, significant amounts of capital were deployed in the 2007-2008 time period which may outweigh other vintages going forward. The long-term impact of this capital deployment is uncertain at this time.

## AIM Program Annual Cash Flows



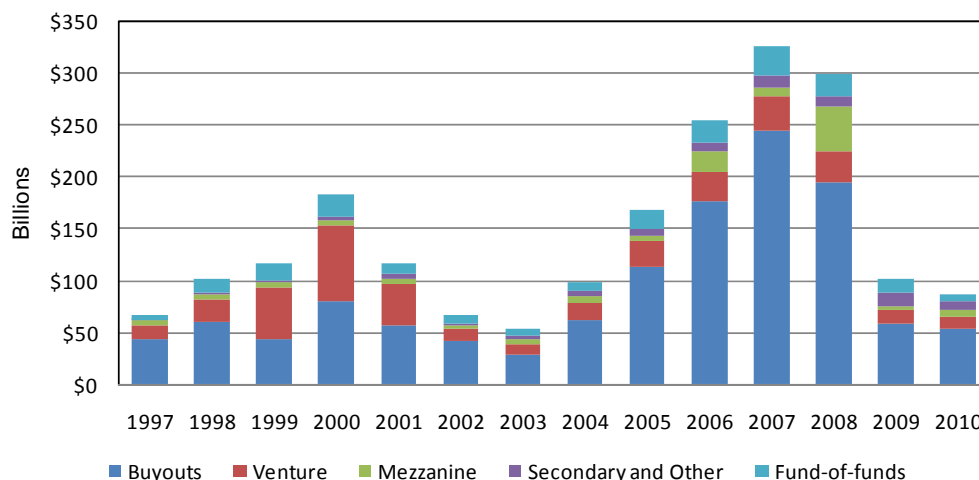
Source: LP Capital Advisors, PCA

Since mid-year 2008, distributions declined significantly from their 2007 peak but activity in 2010 significantly rebounded. In 2010, approximately \$5.2 billion was distributed to the AIM Program, with \$3.4 billion returned in the second half of the year. This represents the second largest annual distribution amount in the Program's history. Contributions were closer to equilibrium with distributions than recent years as \$6.1 billion was called for contribution. However, approximately 21% (\$1.1 billion) of the distributions are recallable. Institutional investors, in general, have experienced an improvement in net cash flow into private equity programs as realizations of more mature holdings has increased. This trend is expected to continue, particularly with a more friendly credit market, the re-emergence of the dividend recap, and a greater use of the IPO market for possible liquidity.

### Recent private equity trends

Fund raising activity continued to decline through the calendar year of 2010. In 2010, approximately \$86.3 billion in domestic commitments were raised, down 16% from the \$102.2 billion raised in 2009. Buyouts continued to lead fund raising activities in 2010 raising \$53.3 billion of commitments, followed by venture capital at \$11.6 billion, secondary and "other" at \$8.8 billion, fund-of-funds at \$6.4 billion, and mezzanine at \$6.2 billion. Continued concerns and uncertainty from the economic crisis combined with inactivity in the capital markets for the first nine months of the year (contributed to by a lack of available credit) resulted in many investors remaining idle on the commitment front. The fourth quarter of 2010 exhibited an increase in transaction activity, capital calls and distributions, contributing to an increase in investor confidence.

### Commitments to U.S. Private Equity Partnerships



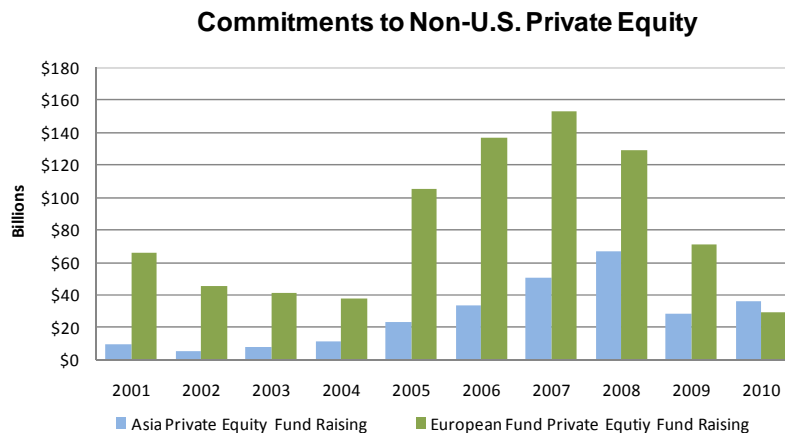
Source: Private Equity Analyst through December 2010

Many industry participants are expecting an increase in fundraising activity in 2011. Given the challenging fundraising environment over the past several years, those firms that could delay returning to the marketplace did so. It is believed that many groups will seek to raise capital this year as the economic environment has improved, portfolios have matured further, and institutional investors are expected to be more receptive to making new commitments. In addition, increased transaction/exit activity has provided signs of a recovering marketplace and the resultant distributions to investors are easing allocation concerns. In the Global Private Equity Barometer for Winter 2010-2011 produced by Collier Capital, investor confidence appears to be improving as twice as many LPs are intending to increase their target allocation to private equity than reducing it, and 60% of LPs in this survey expect returns of 16% or greater from the 2010/2011 vintage years.

Small and mid-market buyouts are expected to present the best opportunity for commitments in 2011 according to respondents to both the Private Equity Barometer and a survey released by Preqin. There are several favorable dynamics in the venture capital industry that suggest a potential for attractive long-term results going forward, but the difficult environment and resultant poor performance (according to Thompson Reuters' U.S. Private Equity Index, the All Venture Capital segment has posted a minus (2.4%) return over the latest 10-year period as of September 30, 2010) has resulted in continued pessimism regarding the sector. These dynamics include: reduced commitment to venture capital (i.e. less capital chasing deals resulting in better pricing and less competition), ability for entrepreneurs to create new companies at a lower cost due to ongoing technological enhancements, embedded value within existing venture capital portfolios that have yet to be realized, and an improving exit environment. Despite these factors, commitments to the venture space are expected to be conservative due to the continued challenge of gaining access to the top-tier groups

combined with the poor results over the last decade. According to a survey conducted by Probitas Partners, North America, Western Europe, and Asia continue to be the primary geographies for potential investment with interest in Asia (particularly China) becoming much more of a focus for many investors.

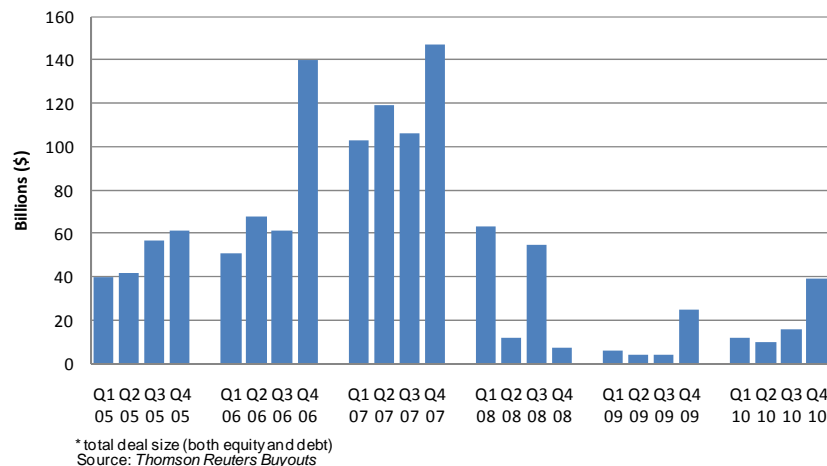
Commitments to private equity partnerships outside of the U.S. have exhibited similar declines in fund raising activity over the past several years. Commitments to European funds have outpaced those to Asian private equity funds over most periods with both regions trailing the activity of the U.S. markets. In 2010, Asia did break with these trends as 2010 activity outpaced 2009 commitment levels in addition to exceeding the capital raised by the European markets, according to Thomson Reuter's data.



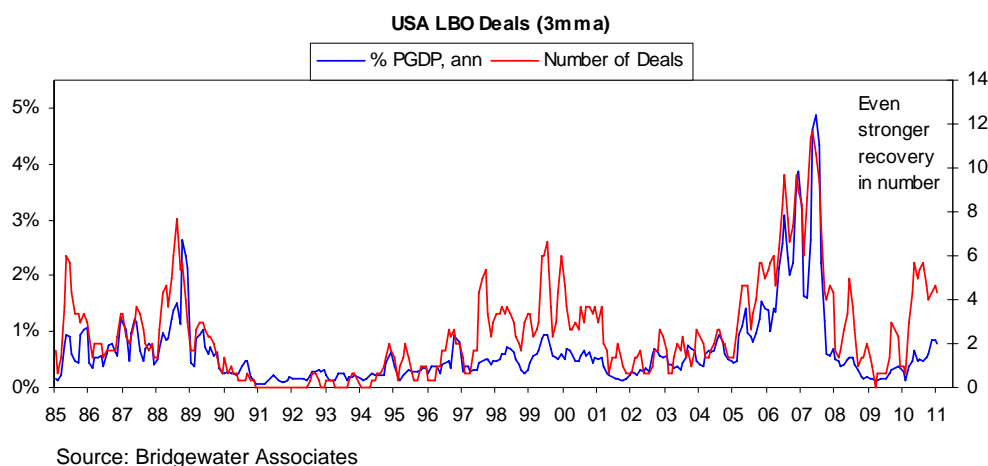
U.S. buyout deal volume increased in 2010 to \$77 billion in transaction value during the year, up from only \$39 billion in 2009. However, this activity remains well below the peak transaction levels of \$137 billion and \$475 billion for 2008 and 2007, respectively. Buyout transaction activity increased in the second half of 2010 as the economy appeared to be stabilizing and access to credit was improving. In addition, some believe that the potential for a higher capital-gains tax rate (which subsequently did not occur) motivated some sellers to complete transactions in 2010. The extension of the current capital gains rate may actually contribute to transaction activity for 2011 as sellers that did not transact in 2010 may still try and benefit from the existing rate. Add-on acquisitions represented the largest proportion of transactions in 2010, at 41%, according to "Buyouts." In 2009, add-on acquisitions represented approximately 48% of buyout deals. Transaction activity between private equity firms also increased over the latest year. Historically, transactions between private equity firms have been reasonable under the circumstances, such as a smaller firm selling to a larger firm or a transaction where the purchasing firm has a particular area of expertise that is believed to position them to continue to add value. However, given the challenging environment, investors should be alert for transactions between private equity firms that may be completed to simply create liquidity and/or deploy capital. According to "Buyouts,"

sponsor-to-sponsor transactions (also known as secondary buyouts) represented 11% of all U.S. control-stake transactions (based on the number of deals) in 2010, up from 4% in 2009.

**Disclosed U.S. Quarterly LBO Deal Value\***

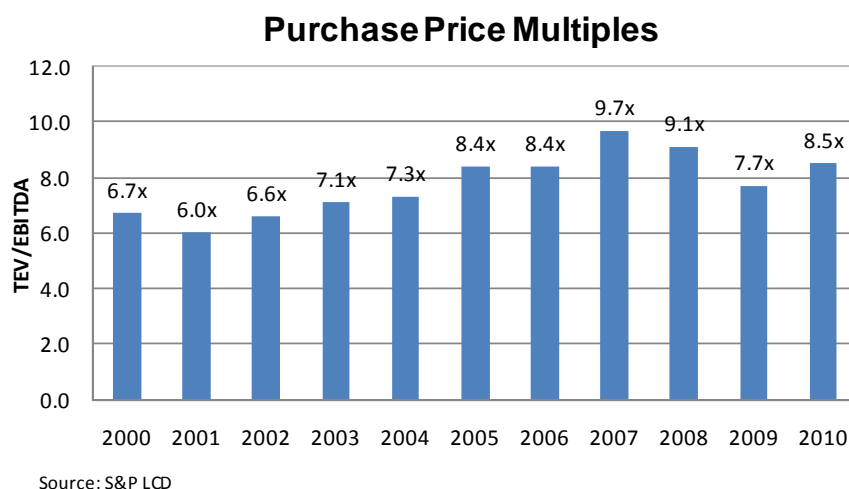


The chart below shows the overall pace of US LBO activity relative to gross domestic product (GDP) (blue line with the scaling on the left). According to Bridgewater Associate's analysis, the current pace of LBO deals is about 1% of GDP a year. This is still low relative to over 3% of GDP a year during the peak of the boom in the 2006/2007 time period. But the recovery has continued throughout 2010 and into 2011. The recovery has been more significant in terms of the number of transactions being completed (red line with scaling on the right). As highlighted, more deals are getting done but they are generally smaller than during the boom.





Purchase price multiples (as represented by total enterprise value divided by earnings before interest, taxes, depreciation and amortization, or EBITDA) declined from their 2007 peak and remain below prior highs, but have already rebounded to 8.5x as of year-end 2010, up from 7.7x in 2009. The current 8.5x purchase price multiple is above the ten-year average for the industry (7.9x). The initial decline in purchase price multiples in 2009 can be attributed to valuations under pressure and the lack of available financing. However, many industry participants believe that the recent increase in purchase price multiples has been impacted by the significant amount of “dry powder” (i.e. unfunded commitments) remaining in the industry combined with the approaching investment period termination causing general partners to feel pressured to deploy capital. In addition, debt financing for new deals improved throughout 2010, particularly for larger, fast-growing companies, potentially contributing to increased purchase price multiples. Anecdotally, the increased demand appears to have pushed prices in the leveraged loan market back up to par and allowed a decline in the average credit quality of the loans, with increasing signs of “covenant light” loans getting completed.

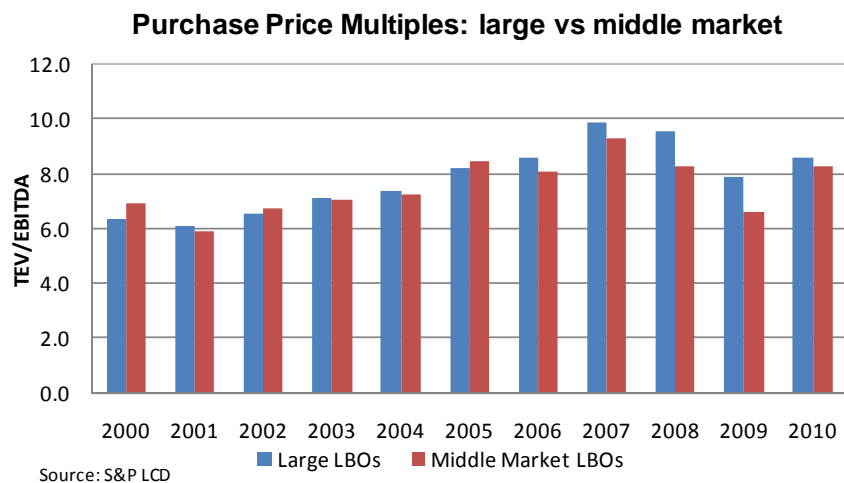


Portfolio companies acquired in the 2001 to 2004 time frame were purchased in an environment where the industry purchase price multiple was below the current average (i.e. a lower valuation environment). Conversely, the 2005 to 2008 time frame suggests a higher valuation environment for investment transactions. The influence of industry valuations at purchase is not absolute, but is commonly a material component of performance. Industry participants are expecting an increased use of the IPO market for some of the larger buyout transactions completed over the last cycle. However, rather than using the IPO market as an immediate exit, proceeds may be used to pay down debt with limited distributions of cash back to investors. Kinder Morgan and Nielsen have gone public so far this year and have been well received in the IPO marketplace. Kinder Morgan, which is trading again after it was taken private in 2007, raised \$2.9 billion in the biggest U.S. IPO backed by leveraged-buyout firms. However in contrast



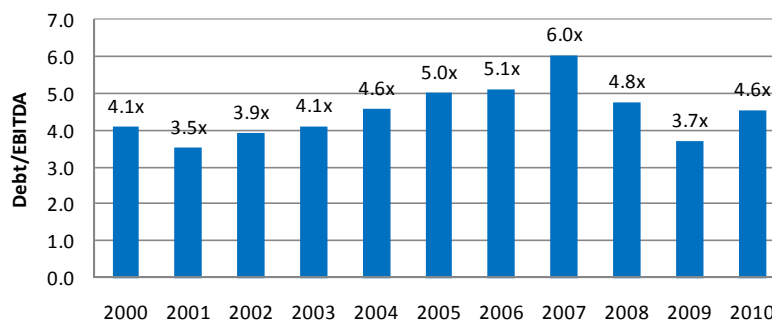
to the expectation of paying down debt, approximately \$2.4 billion in proceeds are being distributed to the existing investors of Goldman Sachs, Carlyle Group, Riverstone, and Highstar Capital. Nielsen, a New York-based television-ratings company which was acquired in 2006, raised \$1.89 billion from its IPO in January 25th. HCA, the largest private hospital operator that was taken private in 2006 and originally filed for an IPO in May of 2010, plans to go public in the second week of March 2011. The deal is targeted to raise approximately \$4.6 billion, which would significantly outpace Kinder Morgan as the largest PE-backed IPO to date. Freescale Semiconductor, Harrah's Entertainment and Toys "R" Us, all LBO deals, have filed for IPO and have yet to come to market.

In general, purchase price multiples for larger transactions (EBITDA's >\$50 million) have historically been higher than the purchase price multiples exhibited in the smaller and middle market (EBITDA's <\$50 million). Given the expected focus on commitments to smaller/middle market opportunities over the near-term, there could be additional competition for deals going forward that could influence the purchase price multiple in the smaller end of the market.



The average debt multiple has exhibited a similar pattern as the purchase price multiple, declining from a peak in 2007 to a recent low in 2009 and a rebound in 2010.

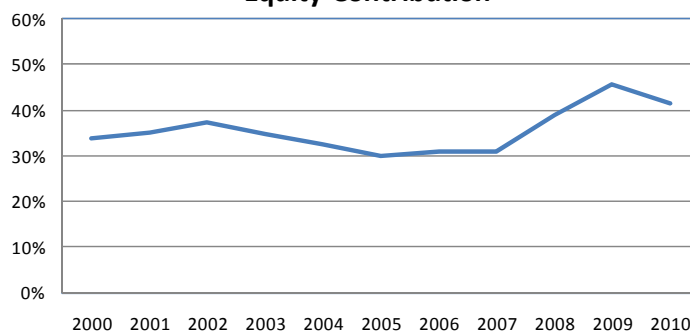
### Average Debt Multiples



Source: S&P LCD

The decline in average debt multiple from its peak resulted in an increase in the average equity component of a transaction to 46% in 2009 up from 31% in 2007. The average equity contribution declined to 41% in 2010, according to the S&P LCD.

### Equity Contribution

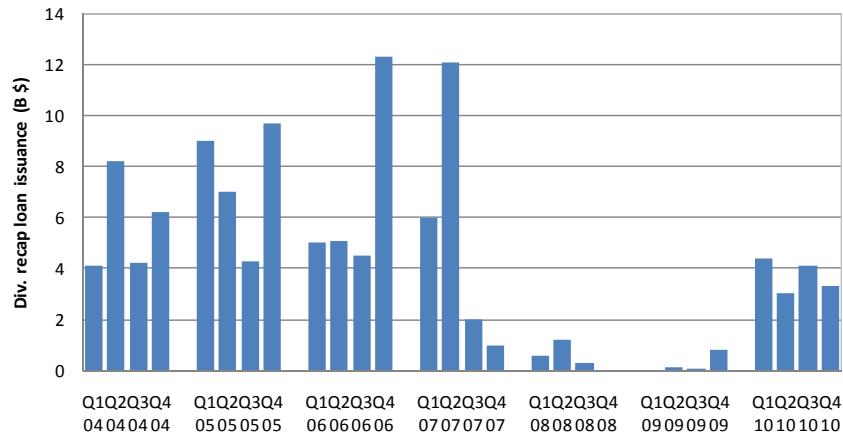


Source: S&P LCD

These dynamics resulted in more conservative capital structures for transactions completed in the recent environment. However, the equity component of a transaction has already declined to an average of 41% in 2010 and dropped further to 37% for transactions completed in late 2010/early 2011.

The private equity market has seen a re-emergence of dividend recaps in 2010, after virtually disappearing post credit bubble. In dividend recaps, private equity-owned companies borrow money to pay their investors. Recaps are proving attractive to equity sponsors as credit is becoming available and conventional exits remain challenging. There are differing opinions on the re-appearance of dividend recaps as some market participants view it as a sign of over-exuberance. These participants believe that companies should instead be conserving cash and borrowing capacity in order to increase market share and shareholder value, arguing that a more conservative capital structure approach would eventually provide higher returns to limited partners.

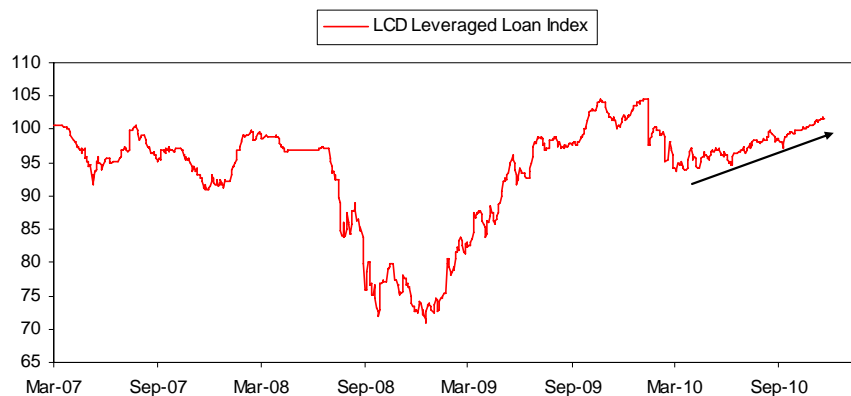
## Dividend Recap Loan Issuance



Source: Thomson Reuters LPC, *Buyouts*, PCA estimate

Overall, risk appears to be increasing in the LBO market. Transaction activity is picking up, but is still well below peak levels. However, after a brief period of more conservative transactions being completed in the LBO market, more recent transactions are utilizing a greater amount of debt, requiring less of an equity contribution, at higher EBITDA multiples. In addition, the dividend recap market has returned, possibly leveraging up the more conservatively structured transactions over the most recent time period.

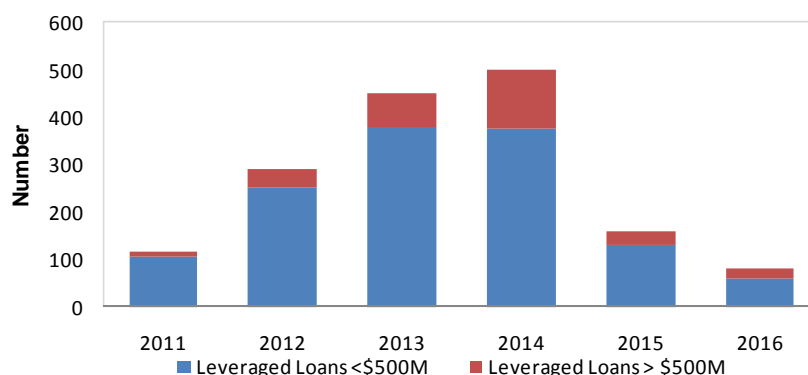
The outlook for distressed debt investment strategies is mixed. The rebound in debt pricing has minimized the opportunity for trading strategies. As highlighted in the chart below, the renewed interest in the leveraged loan market has pushed the price of leveraged loans back to par and near highs. The opportunity set for distressed debt has compressed to such a degree, that Oaktree Capital Management recently returned capital to investors, prior to the end of the investment period of OCM Opportunities Fund VIb.



Source: Bridgewater Associates

The opportunity set for debt-for-control strategies remains unclear. There appears to be an attractive pending opportunity set with the magnitude of debt that was “amended and extended” during the crisis. As highlighted in the chart below, there are a significant number of debt issues that are maturing over the next several years, particularly leveraged loans below \$500 million. However with an improved economic environment and the return of more lenient lending, the opportunity set for debt-for-control transactions may be less than expected (particularly at the larger end).

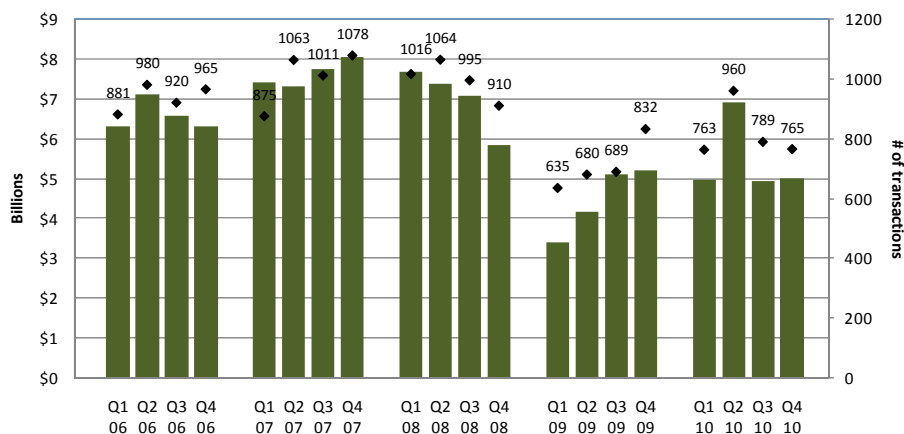
**Leveraged Loan Maturities: by number of issues**



Source: Credit Suisse, JP Morgan, Neuberger Berman, Adveq, PCA estimate

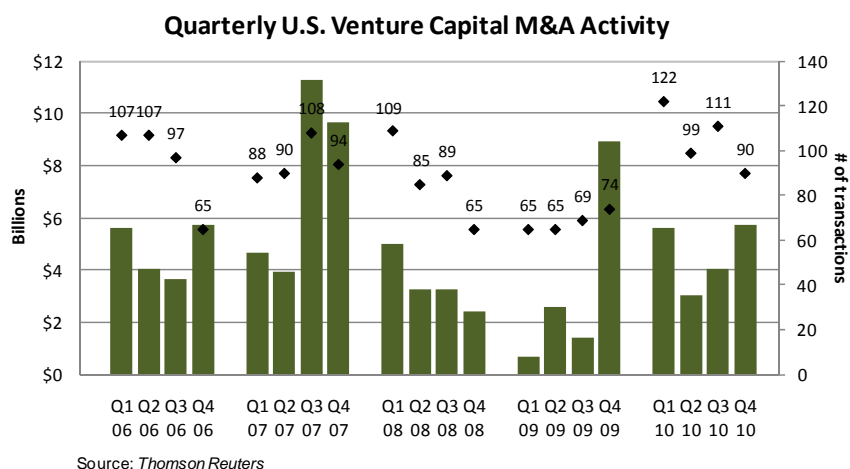
Venture capital investment activity increased throughout 2009 and 2010. Approximately \$21.8 billion was invested across 3,277 transactions in 2010, up from \$18.3 billion invested across 2,927 transactions in 2009. In comparison, approximately \$28.0 billion was invested across more than 3,900 companies during 2008 and 4,000 companies attracted \$30.5 billion of venture capital investment in 2007.

**Quarterly U.S. Venture Capital Deal Volume\***

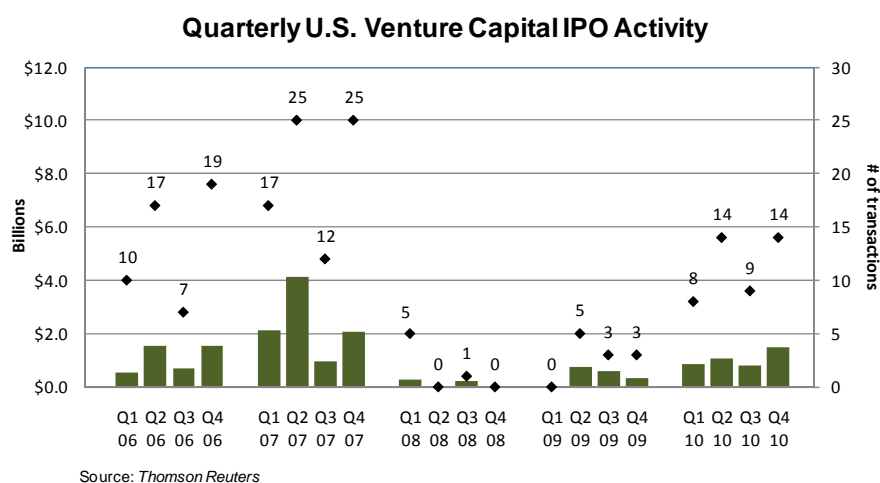


\* only includes equity portion of deal value  
Source: Thomson Reuters

Exit opportunities for venture-backed companies are showing signs of increased activity. In 2010, 422 venture-backed mergers and acquisitions (M&A) transactions representing \$18.4 billion in value were completed, well above the \$13.6 billion in value invested across 273 transactions in 2009. Quarter-over-quarter activity was more volatile in 2009, but did exhibit a little more consistency in 2010. Venture-backed M&A activity exhibited a spike in the fourth quarter of 2009, totaling \$8.9 billion transacted across 74 deals, but was not able to keep that quarterly pace in 2010 with the largest quarterly volume at \$5.7 billion (in the fourth quarter of 2010).

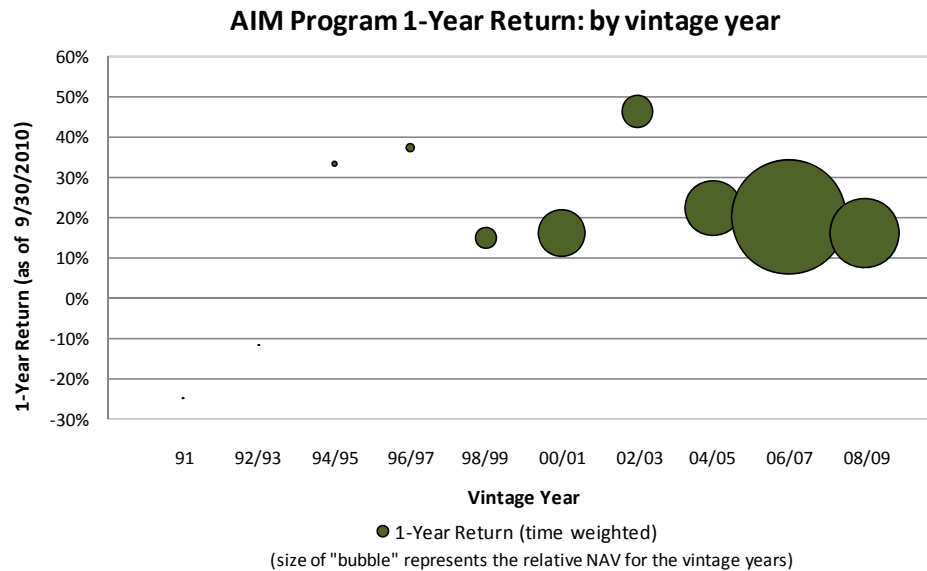


Only eleven venture backed companies went public in 2009, raising \$1.6 billion. IPO activity increased in 2010 as 45 venture-backed companies went public, raising \$4.1 billion.



## A closer look at the AIM Program

The following chart depicts the distribution of returns and net asset values by vintage years for the AIM Program. Although the Program is in its twenty-first year, the preponderance of value (represented by the size of the “bubble”) and performance results are being driven by investments made in the last ten years.



Source: LP Capital Advisors, PCA

The five largest relationships, based on total exposure (defined as market value plus unfunded commitments), represent approximately 34% of the total Program with Apollo Management representing the largest total exposure at almost \$5.0 billion (11%). Amongst these five firms, capital is allocated across 80 investments (partnerships and direct investments) and targets multiple sectors and geographies.

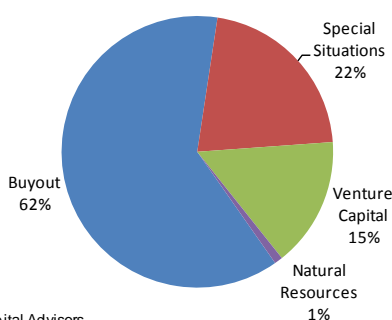
#### Largest AIM Relationships by Total Exposure

<b>Firm</b>	<b>Investments</b>	<b>Total Exposure (\$M)</b>	<b>% of Program</b>
Apollo Management	14	4,973	11%
The Carlyle Group	34	4,885	10%
TPG	16	2,649	6%
CVC	8	1,939	4%
Blackstone Group	8	1,768	4%

Source: LP Capital Advisors, PCA

Sector distribution reflects the markets that AIM believes will enable it to produce the expected return imbedded in the Investment Committee's asset allocation decisions. The following charts portray the sector distribution by performance and net asset value (NAV). The Buyout sector, the portfolio's largest exposure at 62% of NAV, rebounded over the latest year as portfolio valuations benefited from the increase in public market pricing. However, despite the recent recapitalization activity, it is anticipated that many companies will still have to refinance material amounts of debt leading to potential challenges going forward. Special Situations (which also includes the credit opportunities and real estate subcategories) represents approximately 22% of NAV, followed by Venture Capital (15%), and Natural Resources (1%).

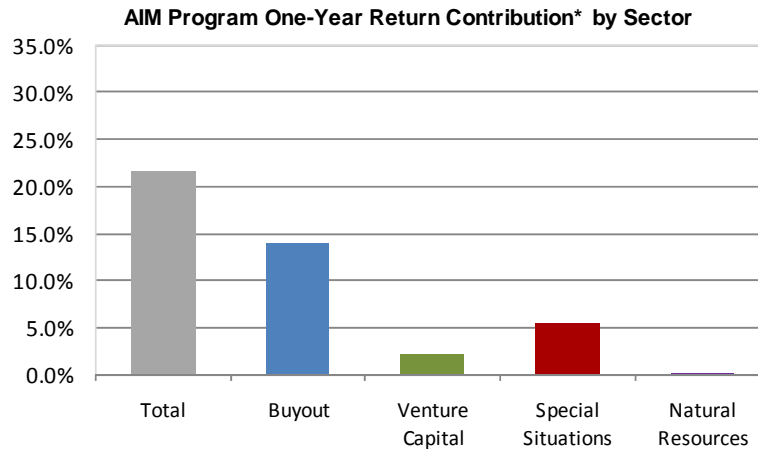
#### AIM Program NAV by Sector: \$31.2 B



Source: LP Capital Advisors

Continued valuation increases of buyout holdings (particularly in the large and mega sub-sectors) combined with the material exposure mentioned above, resulted in buyouts being the largest contributor to performance over the latest year. The Special Situations sector (particularly the current income and distressed sub-categories) was the second largest contributor to performance over the latest year as debt pricing rebounded. Venture Capital also provided a positive performance contribution over the latest year while Natural Resources provided a minimal positive impact.



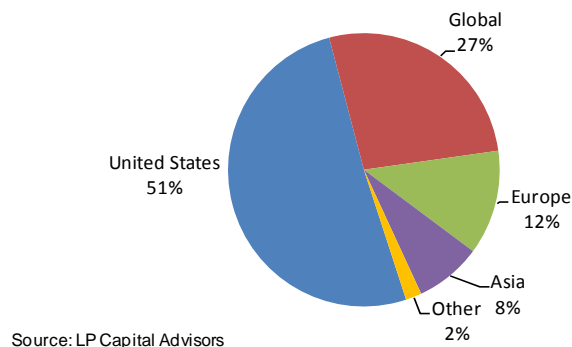


\* sector return weighted by proportion of NAV  
Source: LP Capital Advisors, PCA

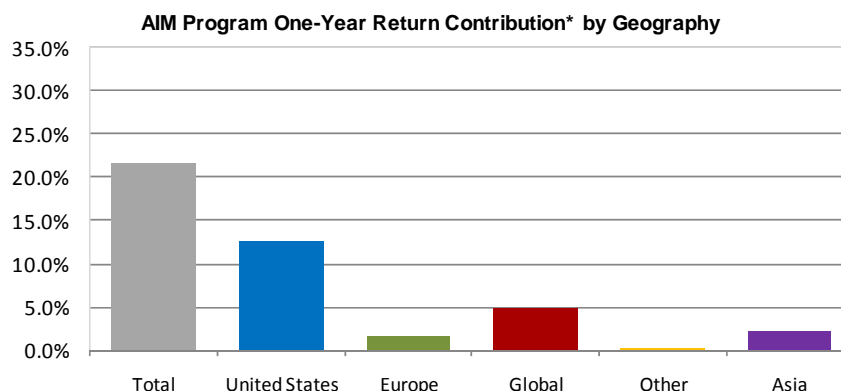
Over the latest three-year period, the AIM Program posted a 1.7% average annual return. The Buyout sector (with a 0.8% return) was the largest factor in results over the latest three-year period due to the large allocation. The three-year results reflect the difficult investment environment, and associated valuation declines, during the economic crisis. The Buyout sector has generated attractive results over the longer five-year and ten-year periods, posting average annual returns of 12.0% and 10.6%, respectively.

AIM, like the other asset classes, invests globally, which is highlighted by the Program's allocation of 51% to the United States, 22% allocated across other regions of the world and 27% allocated globally across all geographies. The following charts depict distribution by NAV and performance according to the geographic emphasis of a partnership.

#### AIM Program NAV by Geography: \$31.2B



Performance results remained in positive territory across all geographic sectors (as aggregated for this report) over the latest one-year period. The United States, representing the largest exposure of the portfolio, had the largest impact on performance results over the past year. AIM's Global exposures provided the second largest positive contribution, as many of the large buyout funds and special situation funds that generated strong results over the latest year are categorized as global mandates. Asia and Europe also contributed to positive returns over the latest year, but in lesser magnitude.

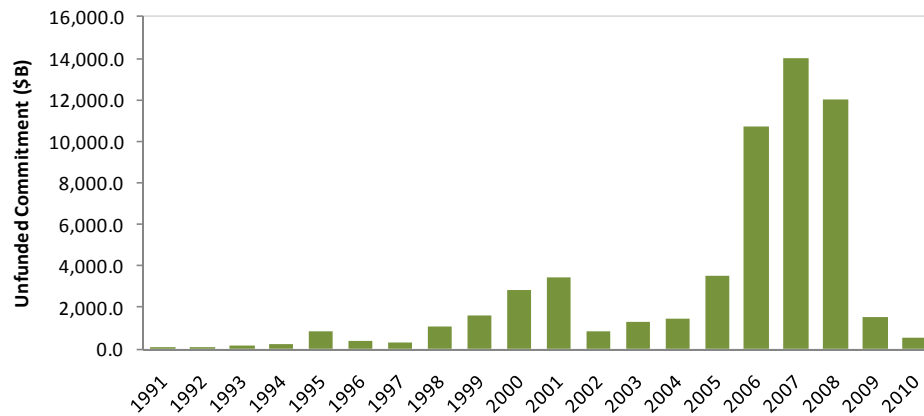


\* geographic return weighted by proportion of NAV  
Source: LP Capital Advisors, PCA

Over the latest three-year period, AIM's Europe exposure was the largest detractor from performance as the AIM Program posted a 1.7% return. AIM's Europe exposure posted an average annual return of minus (5.6%). The United States offset some of the declines over the latest three-year period with a 2.9% average annual return. The United States has historically represented the largest component of the Program but this has decreased over recent years with the globalization of the Portfolio. The United States exposure posted average annual returns of 10.1% and 6.2% over the latest five-year and ten-year periods, respectively.

Since the AIM Program began in 1990, it has committed \$65.7 billion in aggregate commitments and currently has \$56.9 billion in active commitments. As highlighted in the chart below, commitment activity significantly increased in the 2006, 2007, and 2008 vintage years. Consistent with the behavior of other large private equity investors, AIM made very few new commitments (\$1.6 billion) during 2009 and only \$529 million in 2010.

### AIM Program Active Commitments by Vintage Year: \$56.9 B



Source: LP Capital Advisors

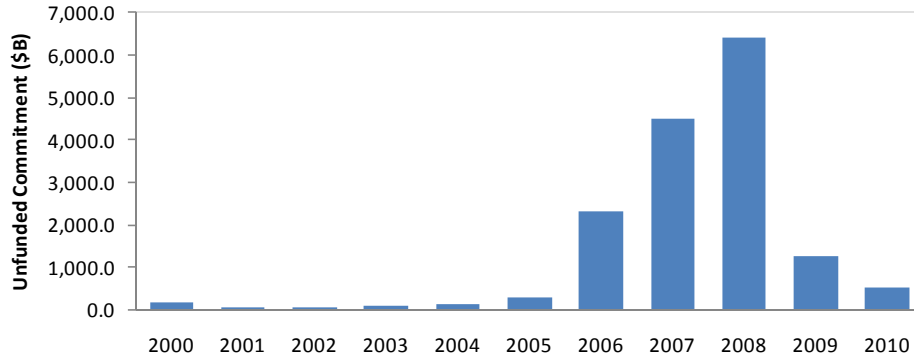
The AIM Program has committed capital to six opportunities in 2010. These commitments were to the buyout, distressed, and the growth/expansion sectors.

### AIM Commitment Activity

Partnership	Commitment	Sector	Relationship
Advent Latin America Private Equity Fund V, L.P.	\$100 M	Buyout	Existing
Blackstone/GSO Capital Solutions Fund, L.P.	\$250 M	Distressed	Existing
Community Bancorp LLC	\$79 M	Distressed	New
Francisco Partners III, L.P.	\$100 M	Buyout	Existing
Riverwood Capital Partners, L.P.	\$100 M	Growth/Expansion	New
Wellspring Capital Partners V, L.P.	\$150 M	Buyout	New

An analysis of the existing unfunded commitments shows that general partners have substantial “dry powder” (\$15.9 billion according to LP Capital Advisors’ data) to pursue investments consistent with the strategies contained in their limited partnership agreements with AIM. As would be expected, the majority of these unfunded commitments remain with the more recent vintage years. In 2006, \$10.7 billion was committed and remains 22% unfunded as of December 31, 2010. The more recent years of 2007 and 2008 made commitments of \$14.0 billion (32% unfunded) and \$12.0 billion (53% unfunded), respectively. With only \$1.6 billion of commitments made in 2009, there remains \$1.3 billion of unfunded commitments (82% unfunded). The 2010 commitments of \$529 million have drawn approximately \$20 million in contributions and are 96% unfunded.

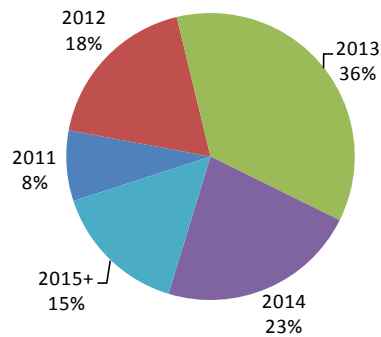
### AIM Program Unfunded Commitments by Vintage Year: \$15.9 B



Source: LP Capital Advisors

The majority of these existing unfunded commitments are expected to be deployed within the next five years (as determined by the termination of the investment period). However, the pace at which capital is drawn down is primarily at the discretion of each general partner and may be called at any time.

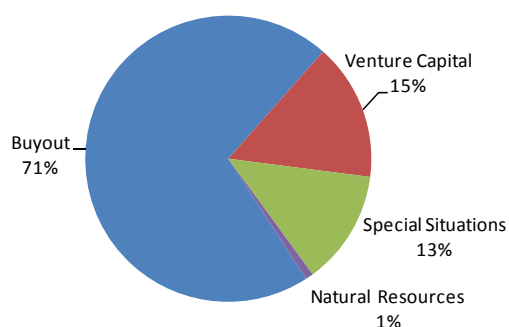
### AIM Program Unfunded Commitments by Termination of Investment Period: \$12.2 B



Source: LP Capital Advisors, PCA

Sector-wise, Buyouts represent the greatest proportion of the Program's unfunded commitments at 71% (representing \$11.3 billion of capital).

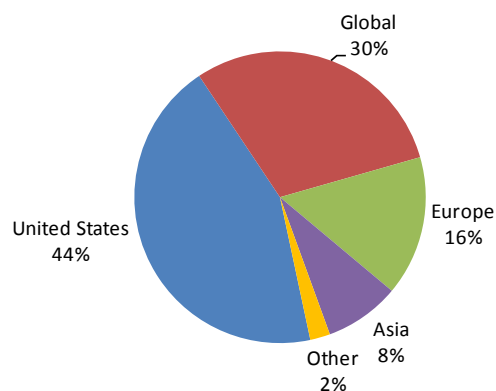
**AIM Program Unfunded Commitments by Sector: \$15.9 B**



Source: LP Capital Advisors

On a geographic basis, the United States is expected to receive 44% of remaining unfunded commitments. Even though 30% of the Unfunded Commitments are labeled as Global, it is expected that the majority of those commitments will also occur in the United States.

**AIM Program Unfunded Commitments by Geography: \$15.9 B**



Source: LP Capital Advisors

## Appendix 1: AIM Relationships by Total Exposure

<b>Firm</b>	<b>Total Exposure (\$M)</b>	<b>% of Program</b>
Apollo Management	4,973	11%
Carlyle Group	4,857	10%
TPG Capital	2,649	6%
CVC Capital Partners	1,939	4%
Blackstone Group	1,768	4%
Grove Street Advisors	1,692	4%
KKR	1,461	3%
Silver Lake	1,419	3%
Hellman & Friedman	1,100	2%
Advent International	1,046	2%
Avenue Capital Group	1,030	2%
Liquidating Partnerships	960	2%
57 Stars	949	2%
Ares Management	945	2%
Centinela Capital Partners	894	2%
Yucaipa Companies	869	2%
First Reserve	810	2%
Health Evolution Partners	668	1%
Bridgepoint Capital	662	1%
SL Capital Partners	648	1%
Aurora Capital Group	634	1%
WL Ross & Co	631	1%
Oak Hill Investment	564	1%
Leonard Green & Partners	562	1%
New Mountain Capital	528	1%
Providence Equity	519	1%
Arclight Capital	505	1%
TowerBrook Capital	498	1%
Wayzata	440	1%
Hamilton Lane	439	1%
Coller Capital	402	1%
Capital Dynamics	382	1%
THL Partners	380	1%
MHR	371	1%
KMCP Advisors	369	1%
Oak Hill Capital Partners	366	1%
Madison Dearborn	361	1%
Conversus Asset	360	1%
Asia Alternatives	348	1%
Welsh Carson Anderson &	332	1%
Permira	297	1%
Khosla Ventures	289	1%
Audax Group	279	1%
Francisco Partners	278	1%
Clessidra Capital	253	1%



### Appendix 1: AIM Relationships by Total Exposure (continued)

<u>Firm</u>	<u>Total Exposure (\$M)</u>	<u>% of Program</u>
SAIF Partners	247	1%
Clearwater Capital	239	1%
Levine Leichtman	218	<1%
Lion Capital	216	<1%
Enterprise Investors	199	<1%
KPS Capital Partners	189	<1%
The Jordan Company	188	<1%
Palladium Equity Partners	178	<1%
Huntsman Gay Capital	173	<1%
Aisling Capital	160	<1%
W Capital	159	<1%
Birch Hill Equity	155	<1%
Lime Rock Partners	155	<1%
Wellspring	150	<1%
Court Square	147	<1%
Affinity Equity	139	<1%
Magnum Capital	131	<1%
TA Associates	124	<1%
VantagePoint Venture	124	<1%
Essex Woodlands Health	118	<1%
Clarus Ventures	111	<1%
Insight Capital	109	<1%
Quadrangle	103	<1%
Lexington Partners	100	<1%
Other (28 partnerships)	1,551	3%